

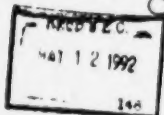
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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549



F92-2238

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD
ENDED: March 31, 1992; or

[] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 0-18801

DynaGen, Inc.

(Exact name of registrant as specified in its charter)

Delaware

04-3029787

(State or other jurisdiction of (IRS Employer Identification No.)
incorporation or organization)

99 Erie Street
Cambridge, MA 02139

(Address of principal executive offices, including zip code)

(617) 491-2527

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all
reports required to be filed by Section 13 or 15(d) of the
Securities Exchange Act of 1934 during the preceding 12 months (or
for such shorter period that the registrant was required to file
such reports), and (2) has been subject to such filing requirements
for the past 90 days.

Yes X No _____

As of May 11, 1992, there were outstanding 12,018,125 shares of
Common Stock, \$.01 par value per share.

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FORM 10-Q
QUARTERLY REPORT

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(*) The financial information at June 30, 1991 has been taken from the Company's audited financial statements at that date and should be read in conjunction therewith. All other financial statements are unaudited.

DYNAGEN, INC.

CONDENSED BALANCE SHEETS
(Unaudited)

ASSETS

	March 31, <u>1992</u>	June 30, <u>1991</u>
Current assets:		
Cash and cash equivalents (including interest-bearing deposits of \$210,000 and \$1,618,000)	\$ 1,114,190	\$ 1,648,337
Certificate of deposit	-	400,000
Investment securities, market value \$701,000	700,812	-
Accounts receivable	151,695	90,058
Recoverable amounts on long-term contracts	111,773	47,494
Inventories (Note 2)	12,893	13,198
Prepaid expenses and other current assets	<u>136,910</u>	<u>80,305</u>
Total current assets	<u>2,228,273</u>	<u>2,279,392</u>
Property and equipment:		
Laboratory and shop equipment	163,514	140,153
Furniture and office equipment	120,971	72,042
Leasehold improvements	<u>5,908</u>	<u>3,332</u>
	290,393	215,527
Less accumulated depreciation and amortization	<u>(81,811)</u>	<u>(54,778)</u>
Net property and equipment	<u>206,582</u>	<u>160,749</u>
Other assets:		
Goodwill, net of accumulated amortization of \$18,620 and \$14,210	10,780	15,190
Patents and trademarks, net of accumulated amortization of \$17,737 and \$13,535	115,850	76,641
Organization expenses, net	515	723
Deposits	13,702	1,376
Deferred registration costs (Note 3)	<u>80,972</u>	<u>-</u>
Total other assets	<u>221,819</u>	<u>93,930</u>
	<u>\$ 2,656,674</u>	<u>\$ 2,534,071</u>

See accompanying notes to unaudited financial statements.

DYNAGEN, INC.

CONDENSED BALANCE SHEETS
(Unaudited)

LIABILITIES AND STOCKHOLDERS' EQUITY

	March 31, 1992	June 30, 1991
Current liabilities:		
Accounts payable and accrued expenses	\$ 537,733	\$ 253,107
Due to related parties	-	76,590
Capital lease obligation, current portion	<u>6,571</u>	<u>-</u>
Total current liabilities	544,304	329,697
Capital lease obligation, non-current	<u>16,301</u>	<u>-</u>
Total liabilities	<u>560,607</u>	<u>329,697</u>
Stockholders' equity:		
Preferred stock, \$.01 par value, 1,000,000 shares authorized, none issued	-	-
Common stock, \$.01 par value, 20,000,000 shares authorized, 11,950,625 and 10,550,411 issued and outstanding	119,506	105,584
Additional paid-in capital	5,969,610	4,152,784
Accumulated deficit	<u>(3,991,042)</u>	<u>(2,053,924)</u>
Total stockholders' equity	<u>2,096,067</u>	<u>2,204,374</u>
	<u>\$ 2,656,674</u>	<u>\$ 2,534,071</u>

See accompanying notes to unaudited financial statements.

DYNAGEN, INC.

CONDENSED STATEMENTS OF LOSS
(Unaudited)

	<u>Three Months Ended</u>	
	<u>March 31, 1992</u>	<u>March 31, 1991</u>
Revenues:		
Contract services	\$ 210,968	\$ 153,725
Research and development	<u>-</u>	<u>125,000</u>
Total revenues	<u>210,968</u>	<u>278,725</u>
Costs and expenses:		
Contract services costs	120,079	77,233
Research and development	317,208	148,674
Selling, general and administrative	<u>496,935</u>	<u>309,468</u>
Total costs and expenses	<u>934,222</u>	<u>535,375</u>
Operating loss	<u>(723,254)</u>	<u>(256,650)</u>
Other income (expense):		
Interest income	19,326	16,080
Interest expense	(947)	(271)
Loss on termination of offering (Note 5)	<u>(105,000)</u>	<u>-</u>
Other income (expense), net	<u>(86,621)</u>	<u>15,809</u>
Net loss	<u>(\$ 809,875)</u>	<u>(\$ 240,841)</u>
Net loss per share	<u>\$ (.07)</u>	<u>\$ (.02)</u>
Weighted average shares outstanding (Note 6)	<u>11,389,464</u>	<u>9,556,844</u>

See accompanying notes to unaudited financial statements.

DYNAGEN, INC.

CONDENSED STATEMENTS OF LOSS
(Unaudited)

	<u>Nine Months Ended</u>	
	<u>March 31,</u>	<u>March 31,</u>
	<u>1992</u>	<u>1991</u>
Revenues:		
Contract services	\$ 498,922	\$ 489,683
Research and development	<u>9,230</u>	<u>319,000</u>
Total revenues	<u>508,152</u>	<u>808,683</u>
Costs and expenses:		
Contract services costs	261,907	254,233
Research and development	838,674	363,281
Selling, general and administrative	<u>1,319,039</u>	<u>773,852</u>
Total costs and expenses	<u>2,419,620</u>	<u>1,391,366</u>
Operating loss	<u>(1,911,468)</u>	<u>(582,683)</u>
Other income (expense):		
Interest income	79,002	50,192
Interest expense	(1,589)	(20,899)
Loss on termination of offering (Note 5)	<u>(105,000)</u>	<u>-</u>
Other income (expense), net	<u>(27,587)</u>	<u>29,293</u>
Net loss	<u>(\$ 1,939,055)</u>	<u>(\$ 553,390)</u>
Net loss per share	<u>\$ (.17)</u>	<u>\$ (.06)</u>
Weighted average shares outstanding (Note 6)	<u>11,293,927</u>	<u>8,768,452</u>

See accompanying notes to unaudited financial statements.

DYNAGEN, INC.

CONDENSED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
 Nine Months Ended March 31, 1992 and 1991
 (Unaudited)

	<u>Common Stock</u>		<u>Additional</u>	<u>Accumulated</u>	
	<u>Shares</u>	<u>Amount</u>	<u>Paid-in</u>	<u>Deficit</u>	<u>Total</u>
			<u>Capital</u>		
Balance at June 30, 1990	5,500,000	\$ 55,000	\$ 31,745	(\$1,041,551)	(\$ 954,806)
Shares issued with initial public offering	4,000,000	40,000	3,039,460	-	3,079,460
Shares issued for services rendered	20,000	200	19,800	-	20,000
Exercise of initial public offering warrants	18,398	184	27,413	-	27,597
Exercise of lenders' warrants	40,000	400	7,600	-	8,000
Exercise of options	25,000	250	1,000	-	1,250
Net loss	-	-	-	(553,390)	(553,390)
Balance at March 31, 1991	<u>9,603,398</u>	<u>\$ 96,034</u>	<u>\$3,127,018</u>	<u>(\$1,594,941)</u>	<u>\$ 1,628,111</u>
Balance at June 30, 1991	10,558,411	\$105,584	\$4,152,784	(\$2,053,994)	\$ 2,204,374
Exercise of initial public offering warrants	775,339	7,753	1,155,053	-	1,162,806
Exercise of representative's warrant	560,000	5,600	659,498	-	665,098
Exercise of stock options	56,875	569	2,275	-	2,844
Net loss	-	-	-	(1,939,055)	(1,939,055)
Balance at March 31, 1992	<u>11,950,625</u>	<u>\$119,506</u>	<u>\$5,969,610</u>	<u>(\$3,993,049)</u>	<u>\$ 2,096,067</u>

See accompanying notes to unaudited financial statements.

DYNAGEN, INC.

CONDENSED STATEMENTS OF CASH FLOWS
(Unaudited)

	<u>Nine Months Ended</u>	
	<u>March 31,</u> <u>1992</u>	<u>March 31,</u> <u>1991</u>
Cash flows from operating activities:		
Net loss	(\$ 1,939,055)	(\$ 553,390)
Adjustments to reconcile net loss to net cash used for operating activities:		
Depreciation and amortization	37,853	28,274
Amortization of premiums on investment securities	23,388	-
Issuance of common stock for services	-	20,000
(Increase) decrease in assets:		
Accounts receivable	(61,637)	(281,238)
Recoverable amounts on long-term contracts	(64,279)	23,577
Inventories	305	(1,319)
Prepaid expenses and other current assets	(56,605)	(77,869)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	284,626	(202,910)
Due to related parties	(76,590)	(84,511)
Net cash used for operating activities	(1,851,994)	(1,129,386)
Cash flows from investing activities:		
(Increase) decrease in certificate of deposit	400,000	(400,000)
Purchase of investment securities	(977,633)	-
Proceeds from sales of investment securities	253,433	-
Purchase of property and equipment	(49,537)	(42,541)
Patent and trademark costs	(43,411)	(45,403)
Increase in deposits	(12,326)	(799)
Net cash used for investing activities	(429,474)	(488,743)

(Continued)

See accompanying notes to unaudited financial statements.

DYNAGEN, INC.

CONDENSED STATEMENTS OF CASH FLOWS (Continued)
(Unaudited)

	<u>Nine Months Ended</u>	
	<u>March 31, 1992</u>	<u>March 31, 1991</u>
Cash flows from financing activities:		
(Increase) decrease in deferred registration costs	(80,972)	165,531
Decrease in cash overdraft	-	(24,658)
Proceeds from issuance of notes payable	-	85,000
Repayment of notes payable	-	(915,000)
Payments on long-term debt - related party	-	(95,760)
Principal payments on capital lease	(2,455)	-
Net proceeds from initial public offering	-	3,079,460
Net proceeds from exercise of warrants and options	<u>1,820,748</u>	<u>36,847</u>
Net cash provided by financing activities	<u>1,747,321</u>	<u>2,331,420</u>
Net increase (decrease) in cash	(534,147)	713,291
Cash and cash equivalents at beginning of period	<u>1,648,337</u>	<u>-</u>
Cash and cash equivalents at end of period	<u>\$ 1,114,190</u>	<u>\$ 713,291</u>
Supplemental cash flow information:		
Interest paid	\$ 1,589	\$ 93,864
Capital lease obligation for equipment	25,329	-

See accompanying notes to unaudited financial statements.

DYNAGEN, INC.

NOTES TO CONDENSED FINANCIAL STATEMENTS
(Unaudited)

March 31, 1992

1. BASIS OF PRESENTATION

The accompanying unaudited financial statements of the Company have been prepared in accordance with generally accepted accounting principles for interim financial information and in accordance with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all information and footnotes required by generally accepted accounting principles for complete financial statement presentation.

The results of operations for the periods reported are not necessarily indicative of those that may be expected for a full year. In the opinion of management, all adjustments (consisting only of normal recurring adjustments) which are necessary for a fair statement of operating results for the interim periods presented have been made.

The financial information included in this report has been prepared in conformity with the accounting policies, reflected in the financial statements included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission.

2. INVENTORIES

Inventories consist primarily of raw materials and are stated at the lower of cost (first-in, first-out method) or market.

3. DEFERRED REGISTRATION COSTS

In March, 1992, the Company entered into a non-binding letter of intent to register and sell 1,000,000 shares of Common Stock on a "firm commitment basis" as part of a secondary public offering. Deferred registration costs represent expenses incurred in connection with the secondary public offering.

DYNAGEN, INC.

NOTES TO CONDENSED FINANCIAL STATEMENTS (Continued)
(Unaudited)

March 31, 1992

4. COMMITMENTS

In September, 1991, the Company entered into a one-year lease expiring September 30, 1992 for the entire building at 99 Erie Street, Cambridge, Massachusetts, consisting of approximately 27,000 square feet of space. The base monthly rental for the space is \$14,063 plus real estate taxes and operating expenses. The Company has the option to extend the lease for a period of one year on the same terms.

5. LOSS ON TERMINATION OF OFFERING

In November, 1991, the Company commenced an offering of additional shares of its Common Stock to institutional investors through a placement agent. In February, 1992, the offering was terminated by mutual consent of the Company and the placement agent. A loss on the termination of this offering of \$105,000 was charged to expense during the nine months ended March 31, 1992.

6. NET LOSS PER SHARE

Net loss per share is based on the weighted average number of common shares outstanding during the period. The effect of common stock warrants and options outstanding are anti-dilutive for the nine months ended March 31, 1992 and 1991.

7. STOCK PLAN

The Board of Directors adopted the 1991 Stock Plan (the "1991 Plan") on October 14, 1991, subject to approval by the Company's stockholders, and reserved 1,200,000 shares of common stock for issuance to employees, officers, directors, and consultants. Under the 1991 Plan, the Stock Option Committee of the Board of Directors will grant options, awards and purchase rights, and establish the terms of the grant in accordance with the provisions of the 1991 Plan.

DYNAGEN, INC.

NOTES TO CONDENSED FINANCIAL STATEMENTS (Continued)
(Unaudited)

March 31, 1992

8. EMPLOYEE BENEFIT PLAN

In September, 1991, the Board of Directors adopted a Section 401(k) Profit Sharing Plan (the "401(k) Plan"), effective July 1, 1991. Each full-time employee who has attained the age of 21 may elect to reduce their current compensation by up to 10%, subject to certain limitations, and have that amount contributed to the 401(k) Plan. The Company may make discretionary contributions to the 401(k) Plan up to 25% of employee compensation, subject to certain limitations. Employee contributions to the 401(k) Plan are fully vested at all times and all Company contributions become vested over a period of six years.

DYNAGEN, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

Three-Month Period Ended March 31, 1992
As Compared With The Three-Month Period Ended March 31, 1991

Revenues in the third quarter of fiscal 1992 were \$211,000 versus \$279,000 for the same period of fiscal 1991, a decrease of \$68,000, or 24%. This decrease is due to an increase of \$57,000 in contract revenues offset by a decrease of \$125,000 in research and development revenues. The decrease in research and development revenues is due to a one time payment received by the Company in fiscal 1991 under an agreement with a third party to fund research and development of the Company's proposed diagnostic products for testing for tuberculosis. All research and development revenues for fiscal 1991 are directly related to this agreement, and the recovery of these costs. At March 31, 1992, this agreement is in dispute (see "Legal Proceedings").

Total costs and expenses for the third quarter of fiscal 1992 increased by \$399,000, or 74% to \$934,000 as compared to \$535,000 for the third quarter of fiscal 1991. This increase was due to increases of \$187,000 in selling and general and administrative costs, \$169,000 in research and development costs, and \$43,000 in contract services costs.

Contract services costs for the third quarter of fiscal 1992 were \$120,000, up \$43,000, or 55% from \$77,000 for the same period of fiscal 1991. Contract costs were 56.9% and 50.2% of contract revenues for the third quarter of fiscal 1992 and 1991, respectively. The percentage fluctuation is due to higher allocable overhead costs incurred as a result of the Company's new lease for its business premises.

Research and development expenses for the third quarter of fiscal 1992 were \$317,000, or \$169,000 and 113% higher than the \$148,000 incurred for the same period in the prior fiscal year. The increase was due to increased labor and material costs in connection with the Company's research and development of its proposed diagnostic and therapeutic products.

DYNAGEN, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS

(Continued)

Selling, general and administrative expenses increased to \$497,000 for the third quarter of fiscal 1992, an increase of \$187,000, or 61% over the \$310,000 for the third quarter of fiscal 1991. This increase was due to increases associated with additional staffing and related benefits (\$56,000), rent and related costs (\$82,000), legal (\$29,000), and travel (\$15,000). The staffing increases included two new members of senior management as well as other additions to staff whose time was not chargeable to a direct project.

Interest income increased by \$3,000, or 20% to \$19,000 from \$16,000, for the third quarter of fiscal 1992 and 1991, respectively. The increase was due to the investment of the proceeds of the Company's public offering in August, 1990 and the proceeds of the warrant conversion in June and July of 1991.

Interest expense incurred on the financing of new equipment was \$1,000 for the third quarter of fiscal 1992.

DYNAGEN, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

Nine-Month Period Ended March 31, 1992
As Compared With The Nine-Month Period Ended March 31, 1991

Revenues in the first nine months of fiscal 1992 were \$508,000 versus \$809,000 for the same period of fiscal 1991. This is a decrease of \$301,000, or 37%. This decrease is due to an increase of \$9,000 in contract revenues and a decrease of \$310,000 in research and development revenues. This decrease in research and development revenues is directly related to a fulfillment of an agreement entered into by the Company with a third party that funded the ongoing research and development of diagnostic tests for tuberculosis through March 15, 1991 (see "Legal Proceedings").

Total costs and expenses for the first nine months of fiscal 1992 increased by \$1,029,000, or 74% to \$2,420,000 as compared to \$1,391,000 for the first nine months of fiscal 1991. This increase was due to increases of \$545,000 in selling, general and administrative costs, \$476,000 in research and development costs, and \$8,000 in contract services costs.

Contract services costs for the first nine months of fiscal 1992 were \$262,000, up \$8,000, or 3% from the \$254,000 for the same period of the prior fiscal year. Contract costs were 52.5% and 52.0% of contract revenues for the nine months ended March 31, 1992 and 1991, respectively.

Research and development expenses for the first nine months of fiscal 1992 were \$839,000 or \$476,000 and 131% higher than the \$363,000 incurred for the same period in the prior fiscal year. The increase was due to additional labor and materials in connection with the Company's research and development of its proposed diagnostic and therapeutic products.

Selling, general and administrative expenses increased to \$1,319,000 for the first nine months of fiscal 1992, an increase of \$545,000, or 70% over the \$774,000 for the nine months ended March 31, 1991. This increase was due to costs associated with additional staffing and related benefits (\$191,000), rent and related expenses (\$93,000), legal (\$65,000), travel (\$42,000), accounting (\$30,000), and public relations (\$21,000).

DYNAGEN, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS

(Continued)

Interest income increased by \$29,000, or 57% to \$79,000 from \$50,000, for the first nine months of fiscal 1992 and 1991, respectively. The increase was due to the investment of the proceeds of the Company's public offering in August, 1990 and the proceeds of the warrant conversion in June and July, 1991.

The Company incurred interest expense of \$2,000 in the first nine months of fiscal 1992 as compared to \$21,000 for the same period in 1991. The decrease was due to the retirement of all outstanding debt in August, 1990 with the proceeds of the Company's public offering offset by the financing of new equipment in 1992.

LIQUIDITY AND CAPITAL RESOURCES

As of March 31, 1992 the Company had working capital of \$1,684,000. This compared to working capital of \$1,950,000 at June 30, 1991. Cash, cash equivalents, and investments were \$1,815,000 at March 31, 1992 as compared to \$2,048,000 at June 30, 1991. In July 1991, the Company received additional capital of \$1,163,000 from the exercise of Warrants issued in connection with its initial public offering. In addition, in March, 1992, the Company received net proceeds of \$665,000 from the exercise of a Warrant issued to the representative of the underwriters of the Company's initial public offering. At March 31, 1992, approximately \$911,000 was invested in short-term interest bearing instruments.

Accounts receivable and recoverable amounts on long-term contracts increased by \$126,000 or 92% to \$263,000 at March 31, 1992 as compared to the June 30, 1991 balance. The increase was primarily due to an increase in contract service revenues in the third quarter of fiscal 1992 in comparison to the fourth quarter of fiscal 1991.

Prepaid expenses and other current assets increased to \$137,000 as of March 31, 1992 up \$57,000 or 70% from the balance of \$80,000 at June 30, 1991. The increase is due to increases in prepaid consulting fees (\$24,000), employee advances (\$12,000), and accrued interest receivable (\$19,000).

DYNAGEN, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS

(Continued)

During the nine months ended March 31, 1992, the Company invested \$75,000 in property and equipment. Significant asset purchases include laboratory equipment of \$23,000 and a new telephone system at a cost of \$25,000. The laboratory equipment purchased is being utilized in the Company's ongoing development of diagnostic tests for mycobacterial diseases and a therapeutic product for smoking cessation (NicEraseTM). The purchase of the telephone system was financed through a capital lease payable over a three year period.

An increase in accounts payable and accrued expenses of \$285,000 produced a balance of \$538,000 at March 31, 1992. This compares to a balance of \$253,000 at June 30, 1991. The increase is due to costs associated with the Company's continued financing efforts and the expanded research and development program. There were no amounts due to related parties at March 31, 1992 as these amounts were paid from the proceeds of the warrant conversion in July 1991.

Management anticipates that the available working capital is sufficient to fund the research and development of the Company's proposed diagnostic and therapeutic products through December 1992. The Company may receive additional capital from the exercise of stock options granted to employees and warrants granted to certain lenders. The Company continues to explore additional sources of capital to expand its research and product development programs.

DYNAGEN, INC.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

In April 1991, the Company entered into an Option Agreement with The Wellcome Foundation Ltd. ("Wellcome"), a company engaged in the development, manufacture, marketing, and sale of pharmaceutical and other medical products. Under the Option Agreement, the Company granted Wellcome an option to enter into an exclusive worldwide license to manufacture, market, and sell the Company's latex and EIA tests for the detection of tuberculosis, as well as any other test formats (other than the immunodot and immunofluorescence tests) that may be developed by Wellcome using the Company's proprietary monoclonal antibody and antigen technology. Pursuant to the Option Agreement, Wellcome paid the Company \$319,000 consisting of a payment of \$94,000 for the option and \$225,000 for the Company's research and development services from August 1, 1990 to March 15, 1991.

In November, 1991, Wellcome disclosed that it had entered into negotiations with International Murex Technologies Corporation ("Murex") for the acquisition by Murex of Wellcome Diagnostics, the diagnostic division of Wellcome. In February, 1992, Wellcome sold its diagnostic division to Murex. The Company's Option Agreement with Wellcome provides that Wellcome may, with the consent of the Company (not to be unreasonably withheld), transfer the Option Agreement to any third party acquiring substantially all of its diagnostic business. The Option Agreement further provides that, in the event that the Company refuses its consent, it must repay to Wellcome all amounts Wellcome has paid to the Company under the Option Agreement before the date of any assignment (to date, \$319,000). The Company has determined not to consent to the assignment of the Option Agreement to Murex and has terminated the Option Agreement with Wellcome on the grounds of repudiation of the Option Agreement by Wellcome.

Wellcome and Murex have denied that Wellcome has repudiated the Option Agreement. Wellcome also has claimed that the Company is in breach of the Option Agreement by refusing to consider whether to consent to the assignment of the Option Agreement by Murex. The Company has offered to repay \$319,000 to Wellcome and

DYNAGEN, INC.

PART II - OTHER INFORMATION

(Continued)

terminate the Option Agreement. This offer has neither been accepted nor rejected by Wellcome.

Murex has commenced proceedings against the Company in the High Court of Justice in England claiming that the Company's withholding or refusal of consent to assign was, and is, unreasonable and that Wellcome is entitled to assign the Option Agreement to Murex. The Company has entered a defense to Murex's proceedings and has counterclaimed that: (i) Wellcome has repudiated the Option Agreement and that the Company has accepted that repudiation; (ii) the Company was entitled to and has terminated the Option Agreement by refusing consent to assign to Murex and offering to repay \$319,000 to Wellcome; (iii) consent to assign the Option Agreement to Murex was reasonably withheld; and (iv) Murex has no cause of action against the Company. The Company has requested the Court to order the return of the Company's technology, to restrain Wellcome and Murex from using or disclosing the Company's technology, to declare that the Option Agreement has been terminated, and to award damages and costs. The Company intends to vigorously assert and defend its rights in the proceedings with Murex; however, no assurance can be given that the outcome of these proceedings will be favorable to the Company. The Company believes that even if the outcome is unfavorable, it will not have a material adverse effect on the business or earnings of the Company.

Based on its belief that Wellcome has repudiated or breached the Option Agreement, and that the Company has properly terminated the Option Agreement, the Company has begun investigating other potential licensing opportunities for the Company's proposed latex and EIA tests. While the Company believes there may be other suitable licensees or partners for the proposed tests, there can be no assurance that the Company will find another suitable licensee, and even if found, that any potential collaborative partner can manufacture, market, and sell the proposed tests effectively.

Item 2. Changes in Securities

Not applicable.

DYNAGEN, INC.

PART II - OTHER INFORMATION

(Continued)

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Submission of Matters to a Vote of Security Holders

No matter has been submitted to a vote of security holders, whether through the solicitation of proxies or otherwise, during the quarter ended March 31, 1992.

Item 5. Other Information •

Not applicable.

Item 6. Exhibits and Reports on Form 8-K

- a. No exhibits were required to be filed.
 - b. No reports on Form 8-K were filed during the quarter ended March 31, 1992.
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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

DYNAGEN, INC.

By: _____

Indu A. Muni, Ph.D.
President and Treasurer

Date: May 11, 1992